

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2014**

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**Lynnville-Sully Community School District
Board of Education and School District Officials
Year Ended June 30, 2014**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
John Terpstra	President	2015
Duane Rozendaal	Vice President	2015
Tim Dunsbergen	Board Member	2013
Michael Rozendaal	Board Member	2013
Matt Zylstra	Board Member	2015
(After September 2013 Election)		
John Terpstra	President	2015
Duane Rozendaal	Vice President	2015
Matt Zylstra	Board Member	2015
Tim Dunsbergen	Board Member	2017
Jeremy Schnell	Board Member	2017
School District Officials		
Shane Ehresman	Superintendent	2014
Karla De Cook	Business Manager/District Secretary	2014
Kyle Terpstra	District Treasurer	2014
Brian Gruhn	Attorney	2014



705 Main Street
Pella, IA 50219
Ph.: 641-628-3737
Fax: 641-628-3757

www.vanmaanencpa.com

Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Lynnville-Sully Community School District
Sully, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Lynnville-Sully Community School District, Sully, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Lynnville-Sully Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and 36 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lynnville-Sully Community School District's basic financial statements. Another CPA firm previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the one year ending June 30, 2005 and we audited the financial statements for the eight years ended June 30, 2013, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 22, 2014, on our consideration of the Lynnville-Sully Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lynnville-Sully Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

October 22, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Lynnville-Sully Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,706,455 in fiscal 2013 to \$4,506,757 in fiscal 2014, while General Fund expenditures increased from \$4,636,505 in fiscal 2013 to \$5,035,164 in fiscal 2014. The District's General Fund balance decreased from \$1,226,143 in fiscal 2013 to \$698,246 in fiscal 2014, a 43% decrease.
- The decrease in General Fund revenues was attributable to less federal money received. The increase in expenditures was due primarily to an increase in salary and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Lynnville-Sully Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lynnville-Sully Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lynnville-Sully Community School District acts solely as an agent or custodian for the benefit of those outside of the district.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

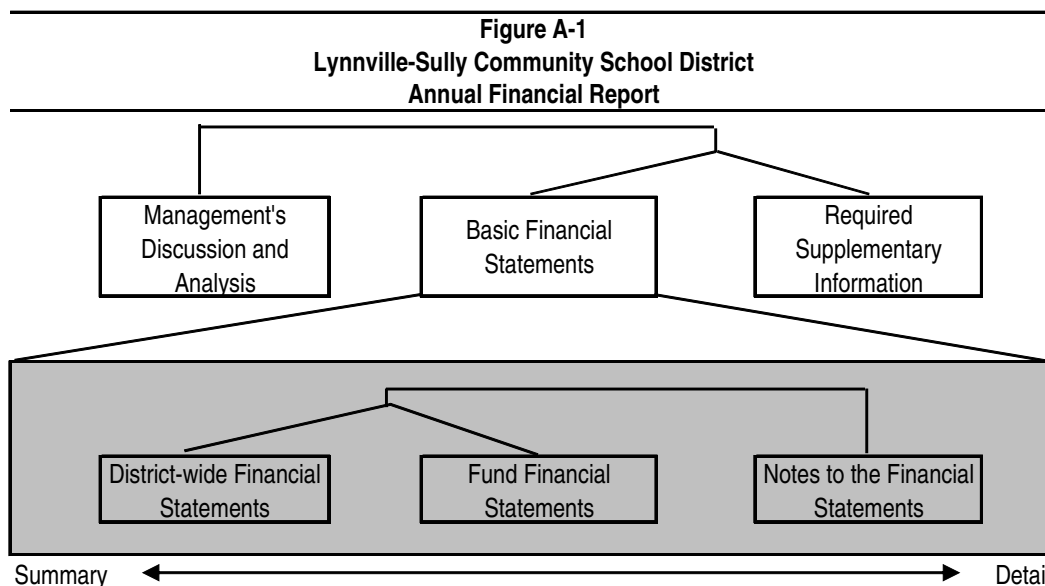


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services
Required Financial Statements	* Statement of Net Position * Statement of activities	* Balance Sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of Net Position * Statement of revenues, expenses and changes in fund Net Position * Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The district has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

**Lynnville-Sully Community School District
Management's Discussion and Analysis
Year ended June 30, 2014**

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

**Figure A-3
Condensed Statement of Net Position
(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 4,547	4,961	68	43	4,615	5,004	-7.8%
Capital assets	5,474	5,471	17	18	5,491	5,489	0.0%
Total assets	10,021	10,432	85	61	10,106	10,493	-3.7%
Long-term liabilities	2,701	2,955	-	-	2,701	2,955	-8.6%
Other liabilities	2,734	2,841	-	-	2,734	2,841	-3.8%
Total liabilities	5,435	5,796	-	-	5,435	5,796	-6.2%
Net Position:							
Invested in capital assets, net of related debt	2,773	2,516	17	18	2,790	2,534	10.1%
Restricted	1,252	1,025	-	-	1,252	1,025	22.1%
Unrestricted	561	1,095	68	43	629	1,138	-44.7%
Total Net Position	\$ 4,586	4,636	85	61	4,671	4,697	-0.6%

The District's combined net position decreased by nearly 0.6%, or approximately \$26,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$227,000, or 22.1% from the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$534,000 or 43.9%. This decrease in unrestricted net assets was primarily a result of increased special education expenditures.

**Lynnville-Sully Community School District
Management's Discussion and Analysis
Year ended June 30, 2014**

Figure A-4 shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

**Figure A-4
Changes in Net Position
(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 737	720	179	186	916	906	1.1%
Operating grants, contributions and restricted interest	674	739	106	72	780	811	-3.8%
General revenues:							
Property tax	2,250	2,284	-	-	2,250	2,284	-1.5%
Statewide sales, service and use tax	366	381	-	-	366	381	-3.9%
Unrestricted state grants	1,606	1,580	-	-	1,606	1,580	1.6%
Unrestricted investment earnings	5	9	-	-	5	9	-44.4%
Other	351	94	-	-	351	94	273.4%
Total revenues	5,989	5,807	285	258	6,274	6,065	3.4%
Program expenses:							
Governmental activities:							
Instruction	3,856	3,533	-	-	3,856	3,533	9.1%
Support services	1,850	1,670	-	-	1,850	1,670	10.8%
Non-instructional programs	1	1	261	263	262	264	-0.8%
Other expenses	332	536	-	-	332	536	-38.1%
Total expenses	6,039	5,740	261	263	6,300	6,003	4.9%
Change in Net Position	\$ (50)	67	24	(5)	(26)	62	-141.9%

In fiscal 2014, property tax and unrestricted state grants account for 64% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,988,924 and expenses were \$6,039,271.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

**Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)**

	Total Cost of Services		Change	Net Cost of Services		Change
	2014	2013	2013-2014	2014	2013	2013-2014
Instruction	\$ 3,856	3,533	9.1%	\$ 2,638	2,253	17.1%
Support services	1,850	1,670	10.8%	1,826	1,655	10.3%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	332	536	-38.1%	163	372	-56.2%
Totals	\$ 6,039	5,740	5.2%	\$ 4,628	4,281	8.1%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$4,628,413.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$673,764
- The net cost of governmental activities was financed with \$2,615,635 in property and other taxes and \$1,606,034 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$284,877 representing a 10% increase over the prior year, while expenses totaled \$261,763, a 0.6% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Lynnville-Sully Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,843,298 down from last year's ending fund balances of \$2,141,100.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,226,143 to \$698,246 due in part to the increased special education expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from a balance of \$274,332 in fiscal 2013 to a balance of \$190,892 in fiscal 2014.
- The Capital Projects Fund balance increased from \$707,028 in fiscal 2013 to \$913,111 in fiscal 2014.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$61,301 at June 30, 2013 to \$84,415 at June 30, 2014, representing an increase of approximately 38%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$518,529 higher than budgeted, a variance of 8%. The most significant variance resulted from the District receiving more in private contributions and free and reduced subsidies than budgeted.

Total expenditures were less than budgeted, due primarily to the District's budget for the instruction and support services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$5.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$338,364.

The original cost of the District's capital assets was approximately \$10.2 million. Governmental funds account for approximately \$10 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

**Lynnvile-Sully Community School District
Management's Discussion and Analysis
Year ended June 30, 2014**

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$8,371,332 at June 30, 2014, compared to \$8,266,639 at June 30, 2013.

**Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 116	116	-	-	116	116	0.0%
Buildings	4,633	4,776	-	-	4,633	4,776	-3.0%
Improvements other than buildings	274	218	-	-	274	218	25.7%
Furniture and equipment	451	361	17	18	468	379	23.5%
Totals	\$ 5,474	5,471	17	18	5,491	5,489	0.0%

Long-Term Debt

At June 30, 2014 the District had \$2,710,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 8.6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)**

	Total District		Change
	June 30,		June 30,
	2014	2013	2013-2014
General obligation bonds	\$ 1,415	1,605	-11.8%
GO bonds discount	(9)	(10)	-10.0%
Revenue bonds	1,295	1,350	-4.1%
Early retirement	-	10	-100.0%
Totals	\$ 2,701	2,955	-8.6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- The district expects increased special education costs due to increased special education needs including one-on-one associates.
- The district will negotiate a new agreement with PALS for fiscal year 2014-2015. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's general fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Karla De Cook, District Secretary/Treasurer and Business Manager, Lynnvile-Sully Community School District, Sully, Iowa, 50251.

Basic Financial Statements

Exhibit A

Lynnville-Sully Community School District
Statement of Net Position
June 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,012,189	66,019	2,078,208
Receivables:			
Property tax:			
Delinquent	19,571	-	19,571
Succeeding year	1,882,818	-	1,882,818
Income surtax	245,064	-	245,064
Accounts	251,369	-	251,369
Due from other governments	136,329	-	136,329
Inventories	-	1,648	1,648
Capital assets, net of accumulated depreciation	5,473,792	16,748	5,490,540
Total assets	10,021,132	84,415	10,105,547
Liabilities			
Accounts payable	138,916	-	138,916
Salaries and benefits payable	437,244	-	437,244
Accrued interest payable	29,735	-	29,735
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	185,000	-	185,000
Revenue bonds	55,000	-	55,000
Portion due after one year:			
General obligation bonds	1,221,329	-	1,221,329
Revenue bonds	1,240,000	-	1,240,000
Total liabilities	3,307,224	-	3,307,224
Deferred Inflow of Resources			
Unavailable property tax revenue	1,882,818	-	1,882,818
Unavailable income surtax revenue	245,064	-	245,064
Total Deferred Inflow of Resources	2,127,882	-	2,127,882
Net Position			
Net investment in capital assets	2,772,463	16,748	2,789,211
Restricted for:			
Categorical funding	136,907	-	136,907
Debt service	116,961	-	116,961
Management levy purposes	67,001	-	67,001
Student activities	146,855	-	146,855
Physical plant and equipment levy	190,892	-	190,892
Capital projects	593,608	-	593,608
Unrestricted	561,339	67,667	629,006
Total net position	\$ 4,586,026	84,415	4,670,441

See notes to financial statements.

Lynnville-Sully Community School District
Statement of Activities
Year ended June 30, 2014

	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,267,332	342,159	398,058	(1,527,115)	-	(1,527,115)
Special instruction	785,400	67,408	70,572	(647,420)	-	(647,420)
Other instruction	802,797	327,527	11,598	(463,672)	-	(463,672)
	<u>3,855,529</u>	<u>737,094</u>	<u>480,228</u>	<u>(2,638,207)</u>	<u>-</u>	<u>(2,638,207)</u>
Support Services:						
Student	136,535	-	-	(136,535)	-	(136,535)
Instructional staff	294,124	-	-	(294,124)	-	(294,124)
Administration	656,627	-	-	(656,627)	-	(656,627)
Operating and maintenance of plant	401,344	-	-	(401,344)	-	(401,344)
Transportation	361,603	-	24,235	(337,368)	-	(337,368)
	<u>1,850,233</u>	<u>-</u>	<u>24,235</u>	<u>(1,825,998)</u>	<u>-</u>	<u>(1,825,998)</u>
Non-instructional programs	<u>1,054</u>	<u>-</u>	<u>-</u>	<u>(1,054)</u>	<u>-</u>	<u>(1,054)</u>
Other expenditures:						
Facilities acquisition	68,933	-	-	(68,933)	-	(68,933)
Long-term debt interest	94,221	-	-	(94,221)	-	(94,221)
AEA flowthrough	169,301	-	169,301	-	-	-
	<u>332,455</u>	<u>-</u>	<u>169,301</u>	<u>(163,154)</u>	<u>-</u>	<u>(163,154)</u>
Total governmental activities	<u>6,039,271</u>	<u>737,094</u>	<u>673,764</u>	<u>(4,628,413)</u>	<u>-</u>	<u>(4,628,413)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	261,763	178,972	105,790	-	22,999	22,999
	<u>261,763</u>	<u>178,972</u>	<u>105,790</u>	<u>-</u>	<u>22,999</u>	<u>22,999</u>
Total primary government	<u>\$ 6,301,034</u>	<u>916,066</u>	<u>779,554</u>	<u>(4,628,413)</u>	<u>22,999</u>	<u>(4,605,414)</u>

Exhibit B

Lynnville-Sully Community School District
Statement of Activities
Year ended June 30, 2014

	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Totals continued from previous pages	\$ 6,301,034	916,066	779,554	(4,628,413)	22,999	(4,605,414)
General Revenues:						
Property tax levied for:						
General purposes				1,850,454	-	1,850,454
Debt service				215,774	-	215,774
Capital outlay				183,396	-	183,396
Statewide sales, services and use tax				366,011	-	366,011
Unrestricted state grants				1,606,034	-	1,606,034
Unrestricted investment earnings				5,542	115	5,657
Other				76,006	-	76,006
Gain (loss) on disposal of assets				510	-	510
Contributions not restricted to specific programs				274,339	-	274,339
Total general revenues				4,578,066	115	4,578,181
Change in net position				(50,347)	23,114	(27,233)
Net position beginning of year				4,636,373	61,301	4,697,674
Net position end of year				\$ 4,586,026	84,415	4,670,441

See notes to financial statements.

Exhibit C

Lynnville-Sully Community School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service	Capital Projects	Non-major	Total
Assets					
Cash and pooled investments	\$ 996,055	15,946	778,268	221,920	2,012,189
Receivables:					
Property tax:					
Delinquent	15,067	2,139	1,121	1,244	19,571
Succeeding year	1,446,813	208,475	102,530	125,000	1,882,818
Income surtax	183,798	-	61,266	-	245,064
Accounts	246,224	-	-	5,145	251,369
Due from other governments	-	-	136,329	-	136,329
Total assets	\$ 2,887,957	226,560	1,079,514	353,309	4,547,340
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 121,856	-	2,607	14,453	138,916
Salaries and benefits payable	437,244	-	-	-	437,244
Total liabilities	559,100	-	2,607	14,453	576,160
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,446,813	208,475	102,530	125,000	1,882,818
Income surtax	183,798	-	61,266	-	245,064
Total deferred inflows of resources	1,630,611	208,475	163,796	125,000	2,127,882
Fund balances:					
Restricted for:					
Categorical funding	136,907	-	-	-	136,907
Debt service	-	18,085	128,611	-	146,696
Management levy purposes	-	-	-	67,001	67,001
Student activities	-	-	-	146,855	146,855
School infrastructure	-	-	593,608	-	593,608
Physical plant and equipment	-	-	190,892	-	190,892
Unassigned	561,339	-	-	-	561,339
Total fund balances	698,246	18,085	913,111	213,856	1,843,298
Total liabilities, deferred inflows of resources and fund balances	\$ 2,887,957	226,560	1,079,514	353,309	4,547,340

See notes to financial statements.

Exhibit D

**Lynnville-Sully Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2014**

Total fund balances of governmental funds (Exhibit C) \$ 1,843,298

***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 5,473,792

Long-term liabilities, including bonds payable, bond issuance costs, accrued interest, early retirement, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities at year-end consist of:

General obligation bonds payable	\$	(1,415,000)	
Revenue bonds payable		(1,295,000)	
Bond discount, net		8,671	
Accrued interest		(29,735)	(2,731,064)

Net position of governmental activities (Exhibit A) \$ 4,586,026

See notes to financial statements.

Exhibit E

Lynnville-Sully Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2014

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 1,725,386	215,774	183,396	125,068	2,249,624
Tuition	392,261	-	-	-	392,261
Other	109,312	319	232,293	358,796	700,720
State sources	2,179,957	-	366,011	-	2,545,968
Federal sources	99,841	-	-	-	99,841
Total revenues	4,506,757	216,093	781,700	483,864	5,988,414
Expenditures:					
Current:					
Instruction:					
Regular	2,144,982	-	74,334	20,372	2,239,688
Special	742,206	-	-	-	742,206
Other	381,290	-	-	377,252	758,542
	3,268,478	-	74,334	397,624	3,740,436
Support services:					
Student	103,943	-	-	916	104,859
Instructional staff	198,256	-	34,429	967	233,652
Administration	647,801	-	-	4,051	651,852
Operation and maintenance of plant	341,105	-	19,559	40,115	400,779
Transportation	306,280	-	88,623	14,058	408,961
	1,597,385	-	142,611	60,107	1,800,103
Non-instructional programs	-	-	-	1,054	1,054
Other expenditures:					
Facilities acquisition	-	-	236,872	-	236,872
Long-term debt:					
Principal	-	245,000	-	-	245,000
Interest and fiscal charges	-	91,960	2,000	-	93,960
AEA flowthrough	169,301	-	-	-	169,301
	169,301	336,960	238,872	-	745,133
Total expenditures	5,035,164	336,960	455,817	458,785	6,286,726
Excess (deficiency) of revenues over (under) expenditures	(528,407)	(120,867)	325,883	25,079	(298,312)
Other financing sources (uses):					
Proceeds from sale of assets	510	-	-	-	510
Operating transfers in (out)	-	119,800	(119,800)	-	-
Total other financing sources (uses)	510	119,800	(119,800)	-	510
Net change in fund balances	(527,897)	(1,067)	206,083	25,079	(297,802)
Fund balances beginning of year	1,226,143	19,152	707,028	188,777	2,141,100
Fund balances end of year	\$ 698,246	18,085	913,111	213,856	1,843,298

See notes to financial statements.

Exhibit F

Lynnville-Sully Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2014

Net change in fund balances - total governmental funds (Exhibit E) \$ (297,802)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 341,080	
Depreciation expense	(338,364)	2,716

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

GO bonds repaid	190,000	
Revenue bonds repaid	55,000	
Amortization of bond discount	(1,269)	243,731

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,008

Change in net position of governmental activities (Exhibit B) **\$ (50,347)**

See notes to financial statements.

Exhibit G

Lynnville-Sully Community School District
Statement of Net Position
Proprietary Fund
June 30, 2014

	School Nutrition
Assets	
Current assets:	
Cash and cash equivalents	\$ 66,019
Inventories	1,648
Total current assets	<u>67,667</u>
Non-current assets:	
Property and equipment:	
Machinery and equipment	149,554
Accumulated depreciation	<u>(132,806)</u>
Total non-current assets	<u>16,748</u>
Total assets	<u><u>84,415</u></u>
Liabilities	
Current liabilities:	
Total current liabilities	<u>-</u>
Total liabilities	<u><u>-</u></u>
Net Position	
Net Investment in capital assets	16,748
Unrestricted	<u>67,667</u>
Total net position	<u><u>\$ 84,415</u></u>

See notes to financial statements.

Exhibit H

Lynnville-Sully Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2014

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 178,972
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	103,693
Benefits	31,142
Purchased services	4,116
Supplies	121,181
Depreciation	1,297
Other	334
Total operating expenses	261,763
Operating loss	(82,791)
Non-operating revenue:	
Interest income	115
State sources	2,205
Federal sources	103,585
Total non-operating revenue	105,905
Change in net position	23,114
Net position beginning of year	61,301
Net position end of year	\$ 84,415

See notes to financial statements.

Exhibit I

Lynnville-Sully Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 178,972
Cash payments to employees for services	(134,835)
Cash payments to suppliers for goods or services	(107,414)
Net cash used by operating activities	(63,277)
Cash flows from non-capital financing activities:	
State grants received	2,205
Federal grants received	85,852
Net cash provided by non-capital financing activities	88,057
Cash flows from investing activities:	
Interest on investments	115
Net increase in cash and cash equivalents	24,895
Cash and cash equivalents at beginning of year	41,124
Cash and cash equivalents at end of year	\$ 66,019
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (82,791)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	17,733
Depreciation	1,297
Decrease in inventories	484
Net cash used by operating activities	\$ (63,277)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	\$ 66,019
Cash and cash equivalents at year end	\$ 66,019

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$17,733 of federal commodities.

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Lynnvile-Sully Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Lynnvile, Sully, Searsboro and Killduff, Iowa and the predominate agricultural territory in Jasper, Poweshiek and Mahaska counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lynnvile-Sully Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Lynnvile-Sully Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jasper County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The District reports the following non-major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,500
Buildings	3,500
Improvements other than buildings	3,500
Furniture and equipment	3,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of the succeeding year's property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceed the amounts budgeted in the instruction and support services functions.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects - LOSST	\$ 119,800
Capital Projects - Other	Capital Projects - LOSST	150,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 116,125	-	-	116,125
Total capital assets not being depreciated	116,125	-	-	116,125
Capital assets being depreciated:				
Buildings	8,266,639	104,693	-	8,371,332
Improvements other than buildings	391,111	63,246	-	454,357
Furniture and equipment	1,639,537	173,141	56,000	1,756,678
Total capital assets being depreciated	10,297,287	341,080	56,000	10,582,367
Less accumulated depreciation for:				
Buildings	3,491,073	247,206	-	3,738,279
Improvements other than buildings	173,042	7,412	-	180,454
Furniture and equipment	1,278,221	83,746	56,000	1,305,967
Total accumulated depreciation	4,942,336	338,364	56,000	5,224,700
Total capital assets being depreciated, net	5,354,951	2,716	-	5,357,667
Governmental activities capital assets, net	\$ 5,471,076	2,716	-	5,473,792
Business type activities:				
Furniture and equipment	\$ 149,554	-	-	149,554
Less accumulated depreciation	131,509	1,297	-	132,806
Business type activities capital assets, net	\$ 18,045	(1,297)	-	16,748

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 103,666
Special	43,194
Other	48,954

Support services:

Student services	31,676
Instructional staff	60,472
Administration	4,775
Operation and maintenance of plant	4,362
Transportation	41,265

Total governmental activities depreciation expense	\$ 338,364
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Business type activities:

Food services	\$ 1,297
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,605,000	-	190,000	1,415,000	185,000
GO bonds discount	(9,940)	-	(1,269)	(8,671)	-
Revenue bonds	1,350,000	-	55,000	1,295,000	55,000
Early retirement	10,000	-	10,000	-	-
Total	\$ 2,955,060	-	253,731	2,701,329	240,000

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2011				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2015	1.50%	185,000	32,975	217,975
2016	1.85%	190,000	30,200	220,200
2017	2.10%	195,000	26,685	221,685
2018	2.35%	200,000	22,590	222,590
2019	2.55%	205,000	17,890	222,890
2020	2.75%	215,000	12,662	227,662
2021	3.00%	225,000	6,750	231,750
Total		\$ 1,415,000	149,752	1,564,752

Revenue Bonds

Details of the Districts' June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of April 1, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2015	3.50%	55,000	53,150	108,150
2016	3.50%	60,000	51,275	111,275
2017	3.50%	60,000	49,175	109,175
2018	3.50%	65,000	46,988	111,988
2019	3.88%	65,000	44,712	109,712
2020	3.88%	70,000	42,219	112,219
2021	4.25%	70,000	39,506	109,506
2022	4.25%	75,000	36,556	111,556
2023	4.25%	75,000	33,369	108,369
2024	4.25%	80,000	30,075	110,075
2025	4.25%	85,000	26,569	111,569
2026	4.70%	85,000	22,956	107,956
2027	4.70%	90,000	19,035	109,035
2028	4.70%	95,000	14,688	109,688
2029	4.70%	100,000	10,105	110,105
2030	4.70%	165,000	5,287	170,287
Total		\$ 1,295,000	525,665	1,820,665

The District has pledged future statewide sales, services and use tax revenues for the purpose of construction. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$1,820,665. For the current year, \$109,800 principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$366,011.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$123,469 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District complied with all of the provisions during the year ended June 30, 2014.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$275,236, \$242,928 and \$216,056, respectively, equal to the required contributions for each year.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for employees and retirees and their spouses. There are 70 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual OPEB cost	\$	15,735
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost		15,735
Contributions made		(15,735)
(Decrease) in net OPEB obligation		-
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	\$	-

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$15,735 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 42,960	93.02%	-
June 30, 2012	42,960	100.00%	-
June 30, 2013	16,989	100.00%	-
June 30, 2014	15,735	100.00%	-

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2014, the actuarial accrued liability was \$102,244, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$102,244. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,855,000, and the ratio of the UAAL to covered payroll was 3.5%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 3%. The ultimate medical trend rate is 3%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Termination Benefits

The District offered a voluntary early retirement plan to its employees. Eligible employees must have completed at least 25 years of continuous service to the District and must have reached the age of fifty-five on or before June 30, 2014. The application for early retirement was subject to approval by the Board of Education.

The employee shall receive a total benefit of \$30,000 payable in six installments over a three year period. At June 30, 2014, the District had no early retirement obligations outstanding.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$169,301 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Required Supplementary Information

Lynnville-Sully Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 3,342,605	179,087	3,521,692	3,155,024	366,668
State sources	2,545,968	2,205	2,548,173	2,430,738	117,435
Federal sources	99,841	103,585	203,426	169,000	34,426
Total revenues	5,988,414	284,877	6,273,291	5,754,762	518,529
Expenditures:					
Instruction	3,740,436	-	3,740,436	3,612,621	(127,815)
Support services	1,800,103	-	1,800,103	1,683,778	(116,325)
Non-instructional programs	1,054	261,763	262,817	323,999	61,182
Other expenditures	745,133	-	745,133	1,764,295	1,019,162
Total expenditures	6,286,726	261,763	6,548,489	7,384,693	836,204
Excess (deficiency) of revenues over (under) expenditures	(298,312)	23,114	(275,198)	(1,629,931)	1,354,733
Other financing sources, net	510	-	510	-	510
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(297,802)	23,114	(274,688)	(1,629,931)	1,355,243
Balances beginning of year	2,141,100	61,301	2,202,401	2,356,464	(154,063)
Balances end of year	\$ 1,843,298	84,415	1,927,713	726,533	1,201,180

See accompanying independent auditor's report.

(1) Basis of Presentation

The District operates within the budget requirements for school districts as specified by state law and as prescribed by the Iowa Department of Management. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

For the fiscal year beginning July 1, a proposed budget is adopted by the Board and filed with the County Auditor no later than April 15. The budget is certified by the County Auditor to the Department of Management.

Once adopted, the budget can be amended by the Board. The amendment must be published and a public hearing conducted prior to the amendment. Any amendments must be certified to the County Auditor no later than May 31. The proposed expenditure budget is advertised in the local newspaper, together with a notice of public hearing.

The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the functional area for a budgeted governmental, enterprise and private purpose trust funds in total, rather than by individual fund type. Formal and legal budgetary control is based on four major classes of expenditures known as functional areas. These four functional areas are instruction, support services, non-instructional programs and other expenditures. During the year ended June 30, 2014, the District over-expended the instruction functional area by \$127,815 and the support services functional area by \$116,325. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. Authorized expenditures cannot exceed the lesser of the certified budget plus any allowable amendments, or the authorized budget, which is the sum of the District's cost for that year plus the actual miscellaneous income received for that year plus the actual unspent balance from the preceding year. Appropriations, as adopted and amended, lapse at the end of the fiscal year.

The District is required by the Code of Iowa to budget for its share of media, education services and special education support provided through the local area education agency. The District's actual amount for this purpose totaled \$169,301 for the year ended June 30, 2014.

Lynnville-Sully Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information
Year ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	418,000	418,000	0.0%	2,600,000	16.1%
2011	July 1, 2009	-	418,000	418,000	0.0%	2,600,000	16.1%
2012	July 1, 2009	-	418,000	418,000	0.0%	2,600,000	16.1%
2013	July 1, 2012	-	102,244	102,244	0.0%	2,885,000	3.5%
2014	July 1, 2012	-	102,244	102,244	0.0%	2,885,000	3.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

Lynnville-Sully Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 65,757	156,163	221,920
Receivables:			
Property tax:			
Delinquent	1,244	-	1,244
Succeeding year	125,000	-	125,000
Accounts	-	5,145	5,145
Total assets	\$ 192,001	161,308	353,309
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	14,453	14,453
Total liabilities	-	14,453	14,453
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	125,000	-	125,000
Total deferred inflows of resources	125,000	-	125,000
Fund balances:			
Restricted for:			
Management levy purposes	67,001	-	67,001
Student activities	-	146,855	146,855
Total fund balances	67,001	146,855	213,856
Total liabilities, deferred inflows of resources and fund balances	\$ 192,001	161,308	353,309

See accompanying independent auditor's report.

Schedule 2

Lynnville-Sully Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

Year ended June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 125,068	-	125,068
Other	74	358,722	358,796
Total revenues	125,142	358,722	483,864
Expenditures:			
Current:			
Instruction:			
Regular	20,372	-	20,372
Other	-	377,252	377,252
Support Services:			
Student	916	-	916
Instructional staff	967	-	967
Administration	4,051	-	4,051
Operation and maintenance of plant	37,406	2,709	40,115
Transportation	2,889	11,169	14,058
Non-instructional program	1,054	-	1,054
Total expenditures	67,655	391,130	458,785
Excess of revenues over expenditures	57,487	(32,408)	25,079
Excess of revenues and other financing sources over expenditures	57,487	(32,408)	25,079
Fund balances beginning of year	9,514	179,263	188,777
Fund balances end of year	\$ 67,001	146,855	213,856

See accompanying independent auditor's report.

Schedule 3

Lynnville-Sully Community School District
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expendi- tures	Balance End of Year
Athletic Booster Club	\$ 49,241	60,430	82,390	27,281
Drill Team	364	2,166	2,223	307
ITED Incentives	3,589	241	470	3,360
Instrumental Resale	83	1,298	1,381	-
Vocal Concerts	97	-	-	97
Music Booster Club	7,132	180	4,398	2,914
Music Boosters Uniforms	737	565	222	1,080
Music & Drama - Trip Accts	-	23,193	23,193	-
Academic Booster Club	2,363	-	1,252	1,111
High School Annual (Yearbook)	6,356	17,990	22,077	2,269
Junior High Annual	-	2,100	-	2,100
Speech and Drama	-	1,934	1,684	250
Drama Booster	-	500	99	401
Cheerleaders	709	195	745	159
Co-Ed Athletics	5,642	54,252	59,545	349
Boy's Basketball	2,706	4,695	2,912	4,489
Girl's Basketball	2,190	5,930	6,302	1,818
Football	7,742	27,510	29,414	5,838
Baseball	204	5,225	3,650	1,779
Cross Country	881	3,202	3,074	1,009
Track	856	1,468	1,487	837
Golf	-	684	684	-
Wrestling	1,685	4,708	5,928	465
Volleyball	-	2,881	1,896	985
Softball	4,498	5,986	5,590	4,894
F.C.A.	99	-	99	-
F.F.A.	14,421	22,644	24,072	12,993
National Honor Society	29	842	871	-
High School Student Council	7,553	3,694	5,671	5,576
Junior High Student Council	2,987	13,701	12,431	4,257
Class of 2013	4,498	-	4,498	-
Class of 2014	6,850	4,836	8,048	3,638
Class of 2015	5,647	4,496	3,139	7,004
Class of 2016	3,230	3,652	-	6,882
Class of 2017	-	4,890	1,716	3,174
Class of 2018	50	-	-	50
Class of 2019	664	-	-	664
Class of 2021	401	-	-	401
Class of 2022	339	-	-	339
Class of 2023	1,131	-	458	673
Class of 2024	-	2,546	2,013	533
Spanish Club	3,466	-	-	3,466
Padlocks	446	333	439	340
Interest	954	213	(293)	1,460

Schedule 3

Lynnville-Sully Community School District**Schedule of Changes in Special Revenue Funds, Student Activity Accounts****Year ended June 30, 2014**

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expendi- tures	Balance End of Year
After Prom Party	3,708	21,099	20,395	4,412
Math Club	2,439	8,726	7,790	3,375
Eighth Grade Banquet	494	-	-	494
Athletic Booster - LL and Soccer	6,998	23,771	21,449	9,320
Art Club	14,580	824	1,572	13,832
Jazz Band	1,204	185	1,209	180
Concession Stand	-	14,937	14,937	-
Totals	\$ 179,263	358,722	391,130	146,855

Schedule 4

Lynnville-Sully Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2014

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 205,968	379,922	192,378	778,268
Receivables:				
Property tax:				
Delinquent	-	-	1,121	1,121
Succeeding year	-	-	102,530	102,530
Income surtax	-	-	61,266	61,266
Due from other governments	136,329	-	-	136,329
Total assets	\$ 342,297	379,922	357,295	1,079,514
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	\$ -	-	2,607	2,607
Total liabilities	-	-	2,607	2,607
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	102,530	102,530
Income surtax	-	-	61,266	61,266
Total deferred inflows of resources	-	-	163,796	163,796
Fund balances:				
Restricted for:				
Debt service	128,611	-	-	128,611
School infrastructure	213,686	379,922	-	593,608
Physical plant and equipment	-	-	190,892	190,892
Total fund balances	342,297	379,922	190,892	913,111
Total liabilities, deferred inflows of resources and fund balances	\$ 342,297	379,922	357,295	1,079,514

See accompanying independent auditor's report.

Schedule 5

Lynnville-Sully Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Capital Project Accounts

Year ended June 30, 2014

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ -	-	183,396	183,396
Other	638	229,922	1,733	232,293
State sources	366,011	-	-	366,011
Total revenues	366,649	229,922	185,129	781,700
Expenditures:				
Instruction				
Regular	-	-	74,334	74,334
Support services:				
Instructional staff	-	-	34,429	34,429
Operation and maintenance of plant	-	-	19,559	19,559
Transportation	-	-	88,623	88,623
Other expenditures:				
Facilities acquisition	185,248	-	51,624	236,872
Interest and fiscal charges	2,000	-	-	2,000
Total expenditures	187,248	-	268,569	455,817
Excess (deficiency) of revenues over (under) expenditures	179,401	229,922	(83,440)	325,883
Other financing sources (uses)				
Operating transfers in (out)	(269,800)	150,000	-	(119,800)
Total other financing sources (uses)	(269,800)	150,000	-	(119,800)
Change in fund balances	(90,399)	379,922	(83,440)	206,083
Fund balances beginning of year	432,696	-	274,332	707,028
Fund balances end of year	\$ 342,297	379,922	190,892	913,111

See accompanying independent auditor's report.

Lynnville-Sully Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,249,624	2,665,232	2,640,252	2,543,681	2,221,322	2,188,704	2,096,135	2,030,294	1,946,651	1,601,563
Tuition	392,261	389,910	340,886	388,430	324,431	304,670	279,487	286,278	270,715	254,227
Other	700,720	433,543	449,665	689,309	445,758	450,751	492,107	513,387	642,764	812,954
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	2,545,968	2,199,544	2,211,193	2,070,144	1,969,635	2,152,604	2,259,724	2,198,030	2,145,914	1,847,808
Federal sources	99,841	119,377	219,390	159,938	375,083	202,199	175,356	185,570	113,297	148,122
Total	\$ 5,988,414	5,807,606	5,861,386	5,851,502	5,336,229	5,298,928	5,302,809	5,213,559	5,119,341	4,664,674
Expenditures:										
Instruction:										
Regular	\$ 2,239,688	2,034,218	1,967,837	1,920,892	2,022,810	2,016,527	1,917,943	1,794,640	1,708,092	1,588,743
Special	742,206	664,174	602,182	651,363	696,243	697,974	665,827	656,680	766,259	628,435
Other	758,542	685,879	666,163	627,973	642,364	656,697	580,612	559,788	401,269	707,540
Support services:										
Student	104,859	72,243	68,415	67,618	96,625	90,332	81,065	79,132	75,984	76,611
Instructional staff	233,652	177,302	111,909	88,074	122,010	87,116	112,269	69,720	110,692	91,545
Administration	651,852	612,965	586,710	575,167	557,324	548,166	575,598	554,684	490,049	484,750
Operation and maintenance of plant	400,779	402,621	341,632	362,487	415,456	388,632	380,045	388,497	313,949	292,393
Transportation	408,961	270,536	270,825	266,837	336,608	271,362	269,564	337,613	312,777	216,996
Non-instructional programs	1,054	1,337	1,085	1,144	1,015	998	1,316	788	728	1,304
Other expenditures:										
Facilities acquisition	236,872	298,402	451,239	858,020	947,445	202,495	164,212	80,031	930,616	133,660
Long-term debt:										
Principal	245,000	240,000	230,000	2,065,000	140,000	135,000	130,000	125,000	120,000	115,000
Interest and other charges	93,960	97,090	109,791	165,877	142,525	106,755	112,280	117,592	122,693	127,580
AEA flowthrough	169,301	164,038	164,846	182,815	184,704	163,657	161,343	156,987	147,838	139,489
Total	\$ 6,286,726	5,720,805	5,572,634	7,833,267	6,305,129	5,365,711	5,152,074	4,921,152	5,500,946	4,604,046

See accompanying independent auditor's report.



705 Main Street
Pella, IA 50219
Ph.: 641-628-3737
Fax: 641-628-3757

www.vanmaanencpa.com

Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Education of Lynnville-Sully Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Lynnville-Sully Community School District, Sully, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lynnville-Sully Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lynnville-Sully Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lynnville-Sully Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lynnville-Sully Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lynnville-Sully Community School District's Responses to Findings

Lynnville-Sully Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Lynnville-Sully Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lynnville-Sully Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

October 22, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

- A. Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in school Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to investigate alternatives to this problem.

Conclusion - Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2014, exceeded the certified budget amounts in the instruction and support services functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. We would like to note that expenditures in total were less than the total budgeted amount.

Conclusion - Response accepted.

2. Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions – No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
6. Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
7. Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted, however, the October 15th deadline for certifying was not met.

Recommendation – In the future, the District should ensure the enrollment data is certified timely to the Iowa Department of Education.

Response - We will attempt to comply in the future.

Lynnvile-Sully Community School District
Schedule of Findings
Year ended June 30, 2014

Conclusion - Response accepted.

8. Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
11. Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	432,696
Revenues/transfers in:			
Sales tax revenues	\$	366,011	
Other local revenues		638	366,649
			<hr/> 799,345
Expenditures/transfers out:			
School infrastructure construction		185,248	
Other		2,000	
Transfers to other funds:		269,800	
Debt service funds		-	457,048
			<hr/> 457,048
Ending balance		\$	<hr/> <hr/> 342,297

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.58000	10,000